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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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IMPACT OF MONETARY POLICY ON INDIAN STOCK MARKET WITH SPECIAL REFERENCE TO BANKING SECTOR

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ABSTRACT

In relation to the banking sector, the present study has been focused on the impact of monetary policy on the stock market. The research took into account of historical time series data from 2000-2001 to 2018-19. The study examined the relationship between monetary policy and the share capital and banking sector. Historical data from Banks Nifty and the structured monetary policy index were taken into account in the study. The study applied statistical method vector Error Correction Model. The research developed the monetary policy index using the key RBI prices of Repo, Reverse Repo, SLR, M3 and CRR. The Wald test result showed that M3 is primarily a short-term relationship with selected stocks and equity-bank indices, while repo and reverse repo have a long-term relationship with market indices. Accordingly, this study has shown that the key monetary policy rates have a significant relationship to the equity market index, particularly the banking indices. On the basis of many factors, investors in equity markets are making decisions. This present study analyzes the impact of monetary policy on equity markets. The study used the Ordinary Least Square method with the monetary policy key rates on the Bank Nifty indices. Statistics have shown that monetary policy has had a significant positive impact on the nice growth of the bank's index.

KEYWORDS

CRR (cash reserve ratio), SLR (statutory liquidity ratio), NIFTY, bank NIFTY, repo rate, reverse repo rate, bank liquidity.

JEL CODES

E52, E58.

1. INTRODUCTION

In its very simplest form, monetary policy is the process by which the monetary authority of a country – mostly a central bank like the RBI – controls the supply of money. It does this by targeting the interest rates at which money is borrowed and lent.
The ultimate target of a monetary policy is to promote economic growth and price stability (or inflation).
A typical monetary policy is referred to as either being “expansionary” or “contractionary”.
In effect, a monetary policy is like a lever in the hands of a central bank, which it pulls up or down to increase or reduce interest rates, which thereby impacts the money supply in an economy.

2. REVIEW OF LITERATURE

Angela J. Black (2002)[1]: This study analysis the U.S and Non U.S monetary policy changes on the value and growth returns. The study found that U.S monetary policy affects worldwide stock markets. This study concludes that changes in the monetary policy of the U.S impact the world wide stock market.
Benson Durham J (2004)[2]: The study investigated the effects of monetary policy on the stock prices and treasure yield from 1978-2002. The study found that changes in the federal rate have affected the treasure yield but not the stock returns. The study concluded that monetary policy has little effect on the asset price.
Don Bredin Stuart Hyde Genaral O Reilly (2005)[3]: The study concentrates on the influence of the U.K monetary policy on the Returns of the U.K Stock market. The study found that the monetary policy shocks leads to the Negative in terns, if future Returns for a large no of sectors. The study concluded that there is an impact of U.K. monetary policy on the U.K stock price returns.
Christos Ioannidis and alexandros kontonikas (2006)[4]: The study exams the impact of monetary policy on the stock returns in 13 OECD Countries from 1972 - 2002. The study found that the monetary policy has significant effect on the stock return. The study concluded that a change in interest is associate with the asset prices and the tightening monetary policy leads to decrease the expected return on stock.
Akash Joshi (2008)[5]: The study investigates the impact of U.S. and India Monetary policy on the asset prices of India form 2000-2014. The study found that asset prices fluctuated due to the unconventional policy actions, and also it was found that Spillover effect has reduce due to the favorable conditions in Indian economy. The study concluded that U.S monetary policy have impact asset price in India, due to the unconventional monetary policy.
Saibal Ghosh (2009)[6]: The study concentrates on the impact of monetary policy on the output of the Industry from 1981-2004. The study found that Industries output differently due to the monetary policy tightening. The study concluded that the there is an impact of monetary policy on industry value according to their size of the industry, intensity of the working capital use, financial accelerator and interest rate mechanism.
Francis Oghenerukev we Aziza (2010)[7]: The study concentrates on the effect of monetary policy on stock market performance of cross –countries. The study was found that the monetary policy was affect the different stock market and different countries and different period, and also it found the change in the money supply is the main cause for the change in the stock market performance. The study concludes that credit was the main source of variation.
Ioannis Chatziantoniou, David Duffy and George Filis (2011)[8]: The study investigates the impact of both monetary policy and fiscal policy on stock market performance of the Germany, UK and the USA. The study found that both the fiscal and monetary policy will impact on the stock market performance. The study concluded that both fiscal and monetary policy have a significant contribution to analyze the stock behaviour.
Vivek Sharma (2012)[9]: The study focused on the 3 important factors that influence the Indian stock market. The study found that monetary policy; Inflation and policy announcement by government is positively related to the stock market. The study concluded that the stock market performance positively due to the monetary policy, inflation and policy announcement.
Khan Md Saidjaba, Md Sakhawat Hossain Md Habiboue Rahman (2013)[10]: The study was focused on the impact of monetary policy on the stock prices of the Bangladesh from 1991-2012. The study found that there is long run relationship exist between 91 days Treasury bill rates to the stock market and also exchange and stock market is not significant the study concluded that there is an impact of monetary policy on the Bangladesh stock market.

Ime T. Akpan Queensley Chukwudum (2014)[11]: The study concentrates on the impact of interest rates on Nigerian stock market (i.e., ASI all share index) from 1986-2011. The study found that interest change of Nigeria central bank not significant to the stock prices. The study concluded that interest rate does not have an impact on the Nigeria all share index.

Rudra sensarma, Indranil bhatta charyya (2015)[12]: The study focused on the monetary policy affect on the bond market in India. The study found that monetary policy has an impact among macro-economic variables. The study concluded that change in the corporate bond market due to the impact of monetary policy.

Clem Nwakoby Alajekwu Udo ka Bernard (2016)[13]: The study investigates the effect of monetary policy on Nigeria stock market performance and it found that there is a long run relationship between monetary policy and Nigeria stock market from 1986-2013. The study concluded that there is a monetary policy impact on the stock market performance.

Alina Kviet kauskiene and modestas plakys (2017)[14]: The study concentrates on to know the impact of stock market returns due to the indicators. The study found that Money Supply, Exchange Rate, short and long run interest rates effect the stock prices in positively and negatively. The study concluded that there is impact of indicators for stock market returns.

Taral Pathak (2018)[15]: The study focused on the RBI manager asset prices in the event of Bubble. The study was carried form 2004-2013 of BSE variable. The study found that global capital flows and BSE turnover have causality between them with 2 moths of lag, the repo rate and the returns with a 3 months' lag. The studies conclude that there is a link between the global capital flows and stock market and monetary policy in India.

3. STATEMENT OF PROBLEMS

The monetary policy strategy of a Central bank depends on a number of factors that are unique to the country and the context.

It is well recognized that monetary policy is conducted within a particular framework. The relationship among different segments of the equity market and banking sector is also involved in this framework. The change of key monetary policy key rates the banks will change their lending and deposit rates.

These are some items of significance for further research in the realm of monetary policy in India and it overall impact on the equity market with special emphasis on the banking sector will be examined. The present study is made an attempt to understand the economic change influence on the equity market and its reaction on the banking sector.

4. NEED OF THE STUDY

The study is mainly emphasized on how stock market is related to monetary policy rates and how monetary policy is influencing stock market prices that too how banking sector will react with the monetary policy.

5. OBJECTIVES OF THE STUDY

1. To study the relationship off monetary policy key rates with the stocks in banking sector.
2. To study the Impact of Monetary Policy on banking sector benchmark.
3. To study the monetary policy impact on the volatility of banking sector benchmark
4. To suggests the measures to protect adverse impact off monetary policy on equity markets.

6. HYPOTHESIS OF THE STUDY

1st Hypothesis

H0: There is no Relationship of monetary policy key rates with the select stocks in banking sector.

H1: There is a Relationship of monetary policy key rates with the select stocks in banking sector.

2nd Hypothesis

H0: There is no Impact of monetary policy key rates on the select stocks in banking sector

H1: There is an Impact of monetary policy key rates on the select stocks in banking sector

3rd Hypothesis

H0: There is no impact of monetary policy on the returns volatility of select stocks in banking sector.

H1: There is an impact of monetary policy on the returns volatility of select stocks in banking sector.

7. RESEARCH AND METHODOLOGY

PERIOD OF STUDY

The period of the study will be 19 years i.e., 2000-01 to 2018-19. The equity market reacts for every news but bi-monthly policy i.e., monetary policy plays the vital role not only shaping the banking sector but also will have the Indian economy, which is generally reflected by the equity market base indices. The present study will consider the monetary policy key rate along with the equity market bench marks to examine the impact of the market.

SOURCE OF DATA

The study is secondary data. Secondary data were collected from various companies ' annual reports of the study. Further information was gathered from the newsletter of CMIE Prowess (Indian Economy Monitoring Centre), RBI (Reserve Bank of India), and annual Industry Survey, Company Reports, journals and research publications.

STATISTICAL TOOLS

Different accounting and statistical tools were used to analyze the study. Following techniques were used:

Vector Error Correction Model: The VECM has been applied to know the relationship between the independent variable and dependent variable. The study has considered monetary policy key rates relationship with the equity market banking index. The VECM will identify the long run or short run relationship off the independent variables with the dependent variable.

Granger Causality Test: The granger causality test has been applied to know the unif-directional or bi-directional influence between the variables. In the present study RBI monetary policy key rates influence direction on the select banking stocks has been examined.

ARCH Model: The present study examined the volatility of the banking sector with the help of Auto Regressive Conditional Heteroskedasticity test. The monetary policy key rates influence on the banking indices and select banking stocks volatility has been examined by considering the historical time series data with the ARCH test.

8. DATA ANALYSIS

RELATIONSHIP OF MONETARY POLICY KEY RATES AND BANK NIFTY

VAR LAG ORDER SELECTION CRITERIA REGARDING MONETARY POLICY KEY RATES AND BANK NIFTY

TABLE 1.1

VAR Lag Order Selection Criteria						
Endogenous variables : BANK _NIFTY						
Exogenous variables : C REPO _RATE iREVERSE _REPO _RATE i CRR SLR M3						
Sample : 1 216						
Included observations : 207						
Lag	Log	PLR	FFPE	ZAIC	FSC	LHQ
0	-2013.254	NA	17397505	19.50970	19.60630	19.54876
1	-1875.009	267.1399	4619557.	18.18366	18.29636*	18.22924*
2	-1874.949	0.114338	4661787.	18.19275	18.32155	18.24483
3	-1874.471	0.914596	4685431.	18.19779	18.34269	18.25639
4	-1872.716	3.340492*	4651470.*	18.19050*	18.35150	18.25560
5	-1871.979	1.397130	4663386.	18.19303	18.37013	18.26465
6	-1870.831	2.161225	4656902.	18.19161	18.38481	18.26974
7	-1868.364	4.624798	4591508.	18.17743	18.38673	18.26207
8	-1867.833	0.989518	4612567.	18.18197	18.40737	18.27312
* indicates lag order elected by the criterion						
LR : sequential modified LR test statistic (each test at i5 % level i)						
FPE : Final prediction error						
AIC :Akaike information criterion						
SC : Schwarz information criterion						
HQ :Hannan - Quinn information criterion						

Source: Secondary Data

The above table depicts the VAR lag order selection criteria of the monetary policy key rates. The result reveals that the LR test statistics, FPE and AIC prove to be significant at 5 percent level at Lag 4, whereas SC and HQ represents the Lag 1. As the study considers the maximum criterions, the further analysis of VECM will be carry on under the Lag 4 order selection criterion.

Vector Error Correction Estimates Regarding Monetary Policy Key Rates and Bank Nifty

TABLE 1.2

Vector Error Correction Estimates						
Sample (adjusted): 6 216						
Included observations: 205 after adjustments						
Standard errors in() & t - statistics in ii []						
Co integrating Eq:	Coint Eq 1					
BANK _ NIFTY (-1)	1.000000					
REPO _ RATE (-1)	1412.544					
	(861.442)					
	[1.63974]					
REVERSE _ REPO _ RATE (-1)	-1722.054					
	(891.875)					
	[-1.93082]					
CRR (-1)	-2116.452					
	(364.513)					
	[-5.80624]					
SLR (-1)	3138.262					
	(456.469)					
	[6.87509]					
M3 (-1)	-0.424476					
	(0.15489)					
	[-2.74047]					
C	-69417.27					
Error Correction :	D (PBANK _ NIFTY)	D (ZREPO _ RATE)	D (LREVERSE _ PREPO _ RATE)	D (CRR)	D (SLR)	D (M3)
Coint Eq i1	-0.032623	-4.914506	1.941205	5.601105	-2.047805	0.048067
	(0.05661)	(9.24606)	(8.97406)	(1.24605)	(1.11605)	(0.01799)
	[-0.57633]	[-0.53409]	[2.16560]	[4.71245]	[-1.80341]	[2.67222]
D (BANK _ NIFTY (-1)	0.510067	2.061205	-4.751005	-4.891605	-8.101206	-0.071185
	(0.11249)	(1.81505)	(1.81105)	(2.41405)	(2.21005)	(0.03575)
	[4.53426]	[1.12826]	[-2.67272]	[-2.06996]	[-0.36062]	[-1.99134]
D (BANK _ NIFTY (-i2))	0.504718	-9.255606	-4.664405	-9.501605	-5.796905	-0.031777
	(0.10860)	(1.84505)	(1.71105)	(2.31705)	(2.21805)	(0.03451)
	[4.64751]	[-0.52464]	[-2.71662]	[-4.16959]	[-2.66777]	[-0.92079]
D (BANK _ NIFTY (-3))	-0.308882	1.961005	7.081905	-4.565905	2.333605	-0.073098
	(0.10637)	(1.74605)	(1.71605)	(2.23605)	(2.12205)	(0.03380)
	[-2.90379]	[1.13504]	[4.20991]	[-2.04181]	[1.09498]	[-2.16252]
D (BANK _ NIFTY (-4)	0.326387	-1.519505	-3.847805	-4.761005	-7.503305	-0.080694
	(0.10698)	(1.76505)	(1.71905)	(2.21305)	(2.11605)	(0.03399)
	[3.05099]	[-0.86980]	[-2.27442]	[-2.11983]	[-3.51174]	[-2.37372]
D (REPO _ RATE (-1))	-1746.804	-0.101064	0.189419	0.473301	0.001961	-4.448750

	(487.349)	(0.07913)	(0.07701)	(0.10226)	(0.09734)	(154.868)
	[-3.58430]	[-1.27724]	[2.45980]	[4.62841]	[0.02015]	[-0.02873]
D (REPO _ RATE (-2))	-2391.446	0.091926	0.510324	0.515806	0.192628	26.44949
	(523.428)	(0.08498)	(0.08271)	(0.10983)	(0.10455)	(166.333)
	[-4.56882]	[1.08169]	[6.17028]	[4.69639]	[1.84248]	[0.15902]
D (REPO _ RATE (-3))	1981.773	-0.007831	-0.169578	-0.253438	-0.529553	15.12500
	(553.912)	(0.08993)	(0.08752)	(0.11623)	(0.11064)	(176.020)
	[3.57778]	[-0.08707]	[-1.93752]	[-2.18054]	[-4.78641]	[0.08593]
D (REPO _ RATE (-4))	-1589.950	-0.150660	0.009902	-0.173408	-0.023518	44.83926
	(582.037)	(0.09450)	(0.09197)	(0.12213)	(0.11625)	(184.957)
	[-2.73170]	[-1.59429]	[0.10767]	[-1.41988]	[-0.20230]	[0.24243]
D (REVERSE _ REPO_ RATE (-1))	2927.354	0.344050	-0.273476	-0.505871	0.100404	32.94920
	(574.355)	(0.09325)	(0.09075)	(0.12052)	(0.11472)	(182.516)
	[5.09677]	[3.68944]	[-3.01339]	[-4.19754]	[0.87521]	[0.18053]
D(REVERSE _ REPO _ ii RATE (-2))	3006.758	0.027766	-0.326455	-0.433495	-0.188728	111.3105
	(651.800)	(0.10583)	(0.10299)	(0.13677)	(0.13019)	(207.126)
	[4.61301]	[0.26237]	[-3.16975]	[-3.16960]	[-1.44965]	[0.53740]
D (REVERSE _ REPO_ RATE (-3))	-1827.100	0.107264	0.204450	0.218821	0.285041	-208.1288
	(659.856)	(0.10713)	(0.10426)	(0.13846)	(0.13180)	(209.686)
	[-2.76894]	[1.00121]	[1.96089]	[1.58043]	[2.16272]	[-0.99257]
Di (REVERSE _ REPO_ RATE (-4))	1502.106	0.185977	0.078524	0.000119	0.047705	-94.16356
	(644.892)	(0.10470)	(0.10190)	(0.13532)	(0.12881)	(204.931)
	[2.32924]	[1.77621]	[0.77061]	[0.00088]	[0.37036]	[-0.45949]
D(CRR (-1)	-55.30026	0.251936	-0.073234	-0.020152	0.069607	1.805245
	(331.268)	(0.05378)	(0.05234)	(0.06951)	(0.06617)	(105.269)
	[-0.16693]	[4.68414]	[-1.39909]	[-0.28992]	[1.05199]	[0.01715]
D(CRR (-2))	529.2338	0.146767	0.026335	-0.314623	-0.038845	-28.83439
	(350.046)	(0.05683)	(0.05531)	(0.07345)	(0.06992)	(111.236)
	[1.51190]	[2.58240]	[0.47614]	[-4.28351]	[-0.55559]	[-0.25922]
D (CRR(-3))	-1486.881	0.196134	0.323999	0.248711	0.287105	-1.208721
	(355.496)	(0.05772)	(0.05617)	(0.07459)	(0.07101)	(112.968)
	[-4.18256]	[3.39812]	[5.76801]	[3.33423]	[4.04341]	[-0.01070]
D (CR (-4))	463.9010	-0.199515	-0.066726	-0.077948	-0.034890	-89.34437
	(387.251)	(0.06287)	(0.06119)	(0.08126)	(0.07735)	(123.059)
	[1.19794]	[-3.17325]	[-1.09048]	[-0.95929]	[-0.45107]	[-0.72603]
D (SLR (-1))	773.2077	-0.126189	0.140311	0.158010	0.070275	-167.0598
	(463.816)	(0.07531)	(0.07329)	(0.09732)	(0.09264)	(147.389)
	[1.66706]	[-1.67569]	[1.91454]	[1.62358]	[0.75857]	[-1.13346]
D (SLR (-2))	1882.061	-0.077889	-0.007535	-0.081987	-0.191820	-9.172867
	(483.240)	(0.07846)	(0.07636)	(0.10140)	(0.09652)	(153.562)
	[3.89467]	[-0.99273]	[-0.09868]	[-0.80857]	[-1.98734]	[-0.05973]
D (SLR (-3))	980.7425	0.014710	-0.144431	-0.210911	-0.155776	-118.4959
	(337.085)	(0.05473)	(0.05326)	(0.07073)	(0.06733)	(107.117)
	[2.90948]	[0.26878]	[-2.71168]	[-2.98191]	[-2.31368]	[-1.10623]
D (SLR (-4))	-396.1402	0.013082	0.000748	-0.021987	0.026609	-58.25838
	(269.745)	(0.04380)	(0.04262)	(0.05660)	(0.05388)	(85.7185)
	[-1.46857]	[0.29871]	[0.01754]	[-0.38846]	[0.49388]	[-0.67965]
D (M3 (-1))	-0.057515	-1.024605	-1.371206	-3.194906	-1.601705	0.550508
	(0.22933)	(3.73305)	(3.63205)	(4.82005)	(4.61605)	(0.07288)
	[-0.25079]	[-0.27517]	[-0.03792]	[-0.06621]	[-0.34998]	[7.55404]
D(iM3 (-2))	-0.035238	2.941606	1.811205	3.296305	2.343305	-0.359949
	(0.26264)	(4.31105)	(4.11305)	(5.57805)	(5.25805)	(0.08346)
	[-0.13417]	[0.06905]	[0.43617]	[0.59782]	[0.44675]	[-4.31282]
D (M3 (-3))	0.042641	-3.304606	7.273506	-1.394605	-4.482105	0.054521
	(0.26241)	(4.34705)	(4.19605)	(5.51105)	(5.23205)	(0.08339)
	[0.16250]	[-0.07738]	[0.17531]	[-0.25322]	[-0.85538]	[0.65383]
D (M3 (-4))	-0.079962	-7.417806	-4.339805	3.734905	-5.044505	-0.122341
	(0.22953)	(3.71255)	(3.64505)	(4.83105)	(4.61605)	(0.07294)
	[-0.34837]	[-0.19888]	[-1.19395]	[0.77523]	[-1.09915]	[-1.67729]
C	49.01075	-0.006461	-0.000596	-0.011201	-0.001394	65.78330
	(102.584)	(0.01666)	(0.01621)	(0.02153)	(0.02049)	(32.5986)
	[0.47776]	[-0.38790]	[-0.03676]	[-0.52038]	[-0.06805]	[2.01798]
R -squared	0.668988	0.396977	0.625640	0.634562	0.527534	0.328972
Adj. R_---squared	0.622757	0.312756	0.573355	0.583523	0.461548	0.235252
Sum resides	3.304808	8.688716	8.229287	14.51194	13.14957	33284039
S.E. equation	1356.972	0.220319	0.214415	0.284732	0.271037	431.2126
F -statistic	14.47065	4.713520	11.96598	12.43291	7.994541	3.510188
Log likelihood	-1755.648	33.11854	38.68694	-19.45845	-9.353784	-1520.634
Akaike AIC	17.38193	-0.069449	-0.123775	0.443497	0.344915	15.08911
Schwarz SC	17.80339	0.352006	0.297680	0.864952	0.766370	15.51057
Mean dependent	-7.176075	-0.013415	-0.007024	-0.001220	-0.003415	88.81175
S.D. dependent	2209.330	0.265764	0.328263	0.441205	0.369365	493.0971

Determinant resid covariance(dof adj.)	1837514.				
Determinant resid covariance	814377.3				
Log likelihood	-3140.338				
Akaike information criterion	32.21793				
Schwarz criterion	34.84392				
Number of **ii** coefficients	162				

Source: *Secondary Data*

The table considers the analysis of VECM, which inculcates its coefficient value, t-statistics and standard error to know the existence relationship of monetary policies key rates with bank nifty in banking sector for the period of 18 years i.e. 2001-02 to 2018-19. The result indicates that the coefficients are significant at 5 percent level and Repo Rate has shown negative relationship for lag 2 and 4 but positive relationship for lag 1 and 3. Reverse Repo Rate and Statutory Liquidity Ratio identifies the negative relationship in three lags i.e. 1, 2, 4 but in lag 3, it identifies the positive relationship with bank nifty. Whereas Cash Reserve Ratio and M3 (Money Supply/Liquidity) has consider the relationship negatively with bank nifty in banking sector. Further, it concluded that adjusted R squared is above the 0.60 that states the model is strongly fit for the analysis.

The following is the Lag 4 equation considers to know the long run or short run relationship between monetary policies key rates and bank nifty by applying Wald test.

D(BANK_NIFTY) = C(1)*(BANK_NIFTY(-1) + 1412.54422847*REPO_RATE(-1) - 1722.05354604*REVERSE_REPO_RATE(-1) - 2116.45190617*CRR(-1) + 3138.26240208*SLR(-1) - 0.424476022669*M3(-1) - 69417.2657634) + C(2)*D(BANK_NIFTY(-1)) + C(3)*D(REPO_RATE(-1)) + C(4)*D(REVERSE_REPO_RATE(-1)) + C(5)*D(CRR(-1)) + C(6)*D(SLR(-1)) + C(7)*D(M3(-1)) + C(8)*D(BANK_NIFTY(-2)) + C(9)*D(REPO_RATE(-2)) + C(10)*D(REVERSE_REPO_RATE(-2)) + C(11)*D(CRR(-2)) + C(12)*D(SLR(-2)) + C(13)*D(M3(-2)) + C(14)*D(BANK_NIFTY(-3)) + C(15)*D(REPO_RATE(-3)) + C(16)*D(REVERSE_REPO_RATE(-3)) + C(17)*D(CRR(-3)) + C(18)*D(SLR(-3)) + C(19)*D(M3(-3)) + C(20)*D(BANK_NIFTY(-4)) + C(21)*D(REPO_RATE(-4)) + C(22)*D(REVERSE_REPO_RATE(-4)) + C(23)*D(CRR(-4)) + C(24)*D(SLR(-4)) + C(25)*D(M3(-4)) + C(26)

H0: There is no long run relationship between Repo Rate and Bank Nifty

H1: There is a long run relationship between Repo Rate and Bank Nifty

Wald Test Regarding Repo Rate and Bank Nifty

TABLE 1.3

Wald Test			
System : % system			
Test Statistic	Value	df	Probability
Chi -square	76.04307	5	0.0000
Null Hypothesis : C (1)=C (3)=C (9)=C (15)=C (21) = 0			
Null Hypothesis Summary :			
Normalized Restriction (= 0)		Value	Std. Err.
C (1)		-0.038659	0.056202
C (3i)		-1715.386	485.9513
C (9i)		-2381.533	523.0981
C (15)		1990.379	553.6013
C (21)		-1591.036	581.7923
Restrictions are linear in coefficients.			

Source: *Secondary Data*

The table depicts the Long run or Short run relationship between Repo Rate and bank nifty in banking sector. The Wald test results indicates that the chi square value (76.043) is greater than critical value (11.070) and the probability value observed to be significant at 5 percent level i.e. H0 is rejected and H1 is accepted. Hence it is concluded that there is a long run relationship between Repo Rate and bank nifty.

H0: There is no long run relationship between Reverse Repo Rate and Bank Nifty

H1: There is a long run relationship between Reverse Repo Rate and Bank Nifty

Wald Test Regarding Reverse Repo Rate and Bank Nifty

TABLE 1.4

Wald Test :			
System : % system			
Test Statistic	Value	df	Probability
Chi -square	48.28154	5	0.0000
Null Hypothesis: C(1)=C(4)=C(10)=C(16)=C(22)=0			
Null Hypothesis Summary :			
Normalized Restriction (=**i0**)		Value	Std. Err.
C(1)		-0.038659	0.056202
C(4)		2954.333	573.3680
C(10)		-59.72422	331.0947
C(16)		-1734.559	651.8973
C(22)		1535.987	643.5731
Restrictions are linear in coefficients.			

Source: *Secondary Data*

The Wald test performed to check whether Reverse Repo Rate has long run relationship or short run relationship with bank nifty in banking sector. Results show that probability value proven significant at 5Zpercent level that indicates the rejection of H0 and acceptation of H1. Under the equation C(1)=C(4)=C(10)=C(16)=C(22)=0, represents that chi square value (48.281) is greater than the critical value (11.070) concluding that long run relationship exists between Reverse Repo Rate and Bank Nifty.

H0: There is no long run relationship between Cash Reserve Ratio and Bank Nifty

H1: There is a long run relationship between Cash Reserve Ratio and Bank Nifty

Wald Test Regarding Cash Reserve Ratio and Bank Nifty

TABLE 1.5

Wald Test :			
System : % system			
Test Statistic	Value	df	Probability
Chi -square	25.42499	5	0.0001
Null Hypothesis: C(1)=C(5)=C(11)=C(17)=C(23)=0			
Null Hypothesis Summary i:			
Normalized Restriction (=i0)		Value	Std. Err.
C(1)		-0.038659	0.056202
C(5)		-59.72422	331.0947
C(11)		525.2429	349.8727
C(17)		-1501.739	354.9812
C(23)		450.2996	386.8071
Restrictions are linear in coefficients.			

Source: Secondary Data

The above table examines the Wald test to know the existence of long run or short run relationship between Cash Reserve Ratio and Bank Nifty. The probability value is less than the 0.05 indicates the 5 percent significance level and the chi square value of CRR (25.424) is greater than the critical value (11.070) which signifies the existence of long run relationship among CRR and bank nifty. Hence concluded that the H0 rejected and H1 accepted.

H0: There is no long run relationship between Statutory Liquidity Ratio and Bank Nifty

H1: There is a long run relationship between Statutory Liquidity Ratio and Bank Nifty

Wald Test Regarding Statutory Liquidity Ratio and Bank Nifty

TABLE 1.6

Wald Test :			
System : % system			
Test Statistic	Value	df	Probability
Chi -square	44.46123	5	0.0000
Null Hypothesis: C(1)=C(6)=C(12)=C(18)=C(24)=0			
Null Hypothesis Summary :			
Normalized Restriction (=i0		Value	Std. Err
C(1)		-0.038659	0.056202
C(6)		795.2674	463.0035
C(12)		1863.895	482.6352
C(18)		991.5490	336.7395
C(24)		-383.9249	269.3065
Restrictions are linear in coefficients.			

Source: *Secondary Data*

The Wald test has applied to check whether Statutory Liquidity Ratio has long run relationship or short run relationship with bank nifty in banking sector. Results show that probability value proven significant at 5 percent level that indicates the rejection of H0 and acceptation of H1. Under the equation C(1)=C(6)=C(12)=C(18)=C(24)=0, represents that chi square value (44.461) is greater than the critical value (11.070) concluding that long run relationship exists between Statutory Liquidity Ratio and Bank Nifty in banking sector.

H0: There is no long run relationship between M3 (Money Supply/Liquidity) and Bank Nifty

H1: There is a long run relationship between M3 (Money Supply/Liquidity) and Bank Nifty

Wald Test iRegardingM3 (Money Supply/Liquidity) and Bank Nifty

TABLE 1.7

Wald Test			
System : % system			
Test Statistic	Value	df	Probability
Chi -square	0.702787	5	0.9828
Null Hypothesis: C(1)=C(7)=C(13)=C(19)=C(25)=0			
Null Hypothesis Summary :			
Normalized Restriction (= 0)		Value	Std. Err.
C(1)		-0.038659	0.056202
C(7)		-0.062093	0.229182
C(13)		-0.034345	0.262527
C(19)		0.034694	0.262156
C(25)		-0.079928	0.229436
Restrictions are linear in coefficients.			

Source: *Secondary Data*

The table outlines the Long run or Short run relationship between M3 (Money Supply) and bank nifty in banking sector. The Wald test results indicates that the chi square value (0.7027) is less than critical value (11.070) and the probability value observed to be insignificant at 5 percent level i.e. H0 is accepted and H1 is rejected derived through its equation of C(1)=C(7)=C(13)=C(19)=C(25)=0. Hence it is concluded that there is a short run relationship between M3 (Money Supply) and bank nifty.

IMPACT OF MONETARY POLICY ON BANKING NIFTY

Pair wise Granger Causality Tests between Monetary Policy Key Rates and Bank Nifty

TABLE 1.8

Pair wise Granger Causality Tests			
Samople:2001 2018			
Lags: 2			
Null Hypothesis	Obs	F-Statistic	Prob.
REPO_RATE does not Granger Cause BANK_NIFTY	16	6.75288	0.0038
BANK_NIFTY does not Granger Cause REPO_RATE		0.51097	0.6135
REVERSE_REPOo_RATE does not Granger Cause BANK_NIFTY	16	5.44190	0.0037
BANK_NIFTY does not Granger Cause REVERSE_REPO_RATE		0.94336	0.4187
CRR does not Granger Cause BANK_NIFTY	16	5.91149	0.0003
BANK_NIoFTY does not Granger Cause CRR		2.10397	0.1684
SLR does not Granger Cause BANK_NIFTY	16	5.83433	0.0019
BANK_NIFTY does not Granger Cause SLR		1.33297	0.3031
M3 does not Granger Cause BANK_NIFTY	16	8.06715	0.0070
BANK_NIFTY does not Granger Cause M3		5.30403	0.0244

Source: Secondary Data

Table illustrate the Grange cause between Monetary policy key rates to Bank Nifty, here monetary policy key rates includes Repo, Reverse Repo rate, Cash Reserve Ratio, Statutory Liquid Ratio. The result includes that f-statistic value is observed for Repo to Bank Nifty greater than Critical value (6.75288 >) which signify the Repo rate granger cause Bank Nifty. Similarly, Reverse repo rate to Bank nifty and CRR to Bank nifty f-statistic value are observed to be critical value and p-value for these seems to be statistically significant and stated that Reverse repo rate and CRR has Granger cause to Bank Nifty. Statutory Liquidity Ratio to bank Nifty and Money supply (M3) to Bank nifty had rejects the null hypothesis. Hence it is concluded that Monetary Policy key rates Grange cause to Bank nifty.

H0: ARCH model does not exist between Repo Rate with Bank Nifty.

H1: ARCH model do exist between Repo Rate with Bank Nifty

Heteroskedasticity Test of Repo Rate Vs. Bank Nifty

TABLE 1.9

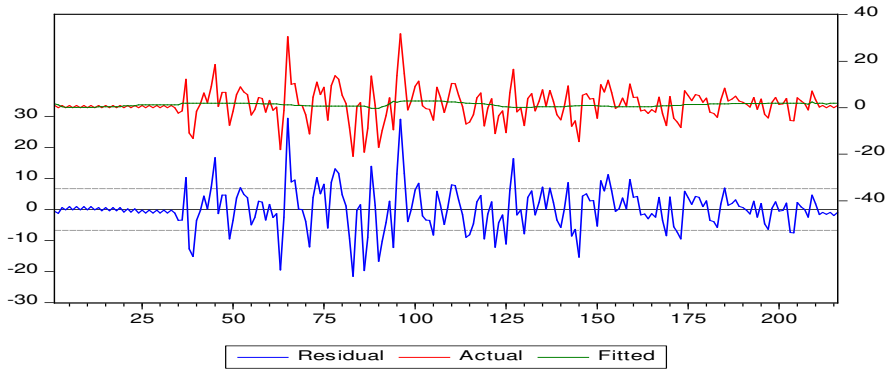
Heteroskedasticityj Test: ARjCjHj			
pF-statistic	4.504549	Prob. Fl (1, l21l6) l	0.0083
Obl s*R-squared	0.508083	Prob. Chi-Square(p1)	0.0060

Source: Secondary data

Heteroskedasticity test illustrated the ARCH model exist between Repo Rate and the Bank nifty. The result indicates that the f-statistical calculated value is observed to be higher than the critical value (4.504549>3.9201), and the chi-square probability value appears to be statistically significant (i.e., < 0.05) which signifies rejection H0 and accepts H1.Hence it is concluded that ARCH model can be applied to know the volatility effect.

Residual Graph of Repo Rate Vs. Bank Nifty

FIGURE 1.1



Source: Secondary data

The above graph depicts the influence of Repo Rate and the volatility of Bank Nifty. As the graph movement in the above figure cross the fitted lines at different level which means the existence of volatility, as the one cluster volatility is followed with respect to the other cluster volatility. Hence it is concluded that ARCH model can be applied for the identification of Repo rate on Bank Nifty volatility.

Impact of Repo Rate on the Volatility of Bank Nifty

TABLE 1.10

Dependent Variable: BANK_NIFTY				
Method: ML ARCHj - Normal distribution(BFGSj Marquardt steps) j				
LOG (GARCH) j =C (3) + C(4)*ABS(RESID(-1)/@ SQRT(GARCH(-1j))) +j C(j5)				
Variable	Coefficient	Std. Error	z-Statistic	Prob. l
C	6.488728	2.939873	2.207146	0.0273
REPO_RATE	-0.755655	0.408570	-1.849512	0.0044
Variance Equation				
C	30.21813	2.166427	13.94837	0.0000
RESID(-1)^2	0.424392	0.111421	3.808889	0.0001
R-squared	0.520989	Mean dependent var		1.426902
AdjustedRpsquaredp	0.016414	S. D. dependent varp		6.778500
Sl.Ep.oflregressionp	6.722639	Akaikelinfolcriterionpl		6.612654
Sumlsquardlresidl	9671.489	Schwarz criterion		6.675160
Log likelihood	-710.1667	Hanlnan -Quinncriter. P		6.637907
Durbin-Wats on statl	1.484087			

Source: Secondary Data

The table depicts the Volatility impact of Repo rate on Bank Nifty. The coefficient value from variance equation is -0.755655, which is observed to be negatively influenced on Bank Nifty. Where, p-value is seems to be significant and R-square is moderately fit (0.5209). Hence, concluded that volatility impact of Repo rate on bank Nifty.

H0: ARCH model does not exist between Reverse Repo Rate with Bank Nifty.

H1: ARCH model do exist between Reverse Repo Rate with Bank Nifty.

Heteroskedasticity Test of Reverse Repo Rate vs. Bank Nifty

TABLE 1.11

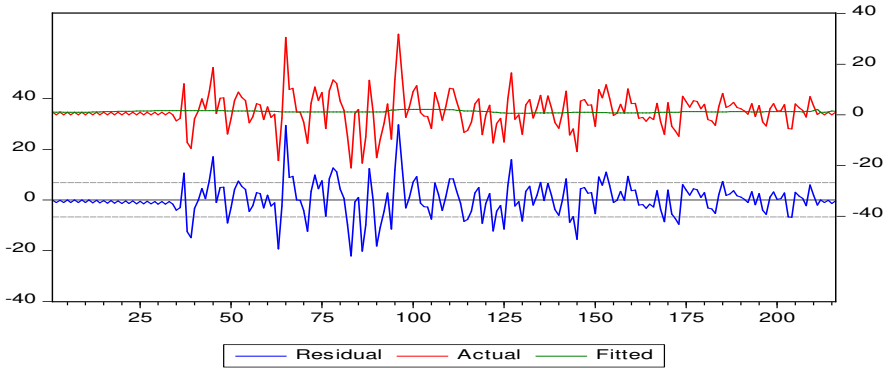
Heteroskedasticity bTest: ARCHj			
pF-statistic	4.344541	Prob. Fl (1, l21l6) l	0.0578
Obbl s*Rl-squaredpi	0.347215	Prob. Chi-Square(p1)	0.0557

Source: Secondary data

Heteroskedasticity test illustrated the ARCH model exist between Reverse Repo rate and the Bank nifty. The result indicates that the f-statistical calculated value is observed to be higher than the critical value (4.344541>3.9201), and the chi-square probability value appears to be statistically significant (i.e., < 0.05) which signifies rejection H0 and accepts H1. Hence it is concluded that ARCH model can be applied to know the volatility effect.

Residual Graph of Reverse Repo Rate vs. Bank Nifty

FIGURE 1.2



Source: Secondary data

The above graph depicts the influence of Reverse Repo Rate and the volatility of Bank Nifty. As the graph movement in the above figure cross the fitted lines at different level which means the existence of volatility, as the one cluster volatility is followed with respect to the other cluster volatility. Hence it is concluded that ARCH model can be applied for the identification of Reverse repo rate on Bank Nifty volatility.

Impact of M3 – Reverse Repo Rate on the Volatility of Bank Nifty

TABLE 1.12

Dependent Variable: BANK_NIFTY				
Method: MLARCHj -Normal distribution (BFGS / Mjarquajrdjt steps)				
LOG (GARCH) j = C (3) + C(4)*ABS(RESID(-1)/@ SQRT(GARCH(-1j))) +j C(j5)				
Variable	Coefficient	Std. Error	z-Statistic	Prob. l
C	3.350527	2.891540	1.158735	0.0466
Reverse Repo Rate	-0.366778	0.492939	-0.744063	0.0568
Variance Equation				
C	31.61419	2.126672	14.86557	0.0000
RESID(-1)^2	0.374983	0.097636	3.840619	0.0001
lR-squaredp	0.310331	Mean dependent varp		1.426902
Adjusted Rpsquaredp	0.005707	S. D.dependentp varp		6.778500
Sl.Ep.oflpregressionp	6.759131	Akaike inpfolcriterion		6.623837
Sumlpsquaredllresidl	9776.772	Schwarzcrpitperionpl		6.686342
Log likelihood	-711.3744	Hanlnanl-Quilnnp criterl. P		6.649089
Durlbiln-pWatsonst at	1.466312			

Source: Secondary data

The table depicts the Volatility impact of Reverse Repo rate on Bank Nifty. The coefficient value from variance equation is 0.3749, which is observed to be negatively influenced on Bank Nifty. Where, p-value is seems to be significant and R-square is slightly fit (0.3103). Hence, concluded that volatility impact of Reverse Repo rate on Bank Nifty.

H0: ARCH model does not exist between Cash Reserve Ratio with Bank Nifty.

H0: ARCH model do exist between Cash Reserve Ratio with Bank Nifty.

Heteroskedasticity Test of CRR vs. Bank Nifty

TABLE 1.13

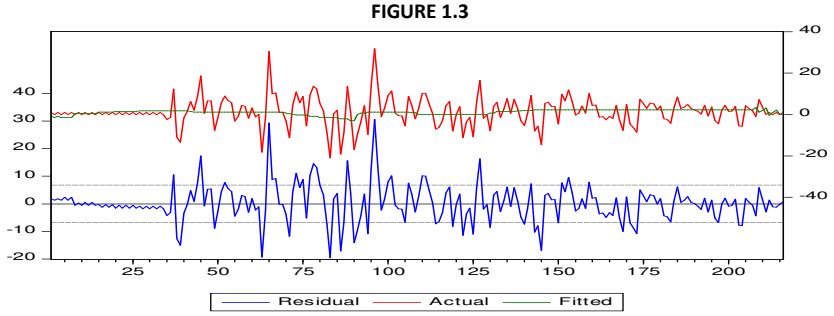
Heteroskedasticityj Test: ARCHj			
pF-statistic	5.666685	Prob. F(1,213)	0.0151
Ob s*Rl-squaredpi	0.670845	Prob. Chi-Square(1)	0.0128

Source: Secondary data

Heteroskedasticity test illustrated the ARCH model exist between Cash Reserve Ratio and the Bank nifty. The result indicates that the f-statistical calculated value is observed to be higher than the critical value (5.666685>3.9201), and the chi-square probability value appears to be statistically significant (i.e., < 0.05) which signifies rejection H0 and accepts H1. Hence it is concluded that ARCH model can be applied to know the volatility effect.

Residual Graph of Cash Reserve Ratio vs. Bank Nifty

FIGURE 1.3



Source: Secondary data

The above graph depicts the influence of CRR and the volatility of Bank Nifty. As the graph movement in the above figure cross the fitted lines at different level which means the existence of volatility, as the one cluster volatility is followed with respect to the other cluster volatility. Hence it is concluded that ARCH model can be applied for the identification of Cash Reserve Ratio on Bank Nifty volatility.

Impact of CRR on the Volatility of Bank Nifty

TABLE 1.14

Dependent Variable: BANK_NIFTY				
Method: ML ARCHj – Normal distribution (BFGS / Mjarquajrdjt steps) j				
LOG (GARCH) j = C (3) + C(4)*ABS(RESID(-1)/@ SQRT(GARCH(-1j))) +j C(j5)				
Variable	Coefficient	Std. Error	z-Statistic	Prob. l
C	6.528138	1.337438	4.881078	0.0000
CRR	-0.055097	0.226602	-4.656166	0.0000
Variance Equation				
C	24.28775	2.232564	10.87886	0.0000
RESID(-1)^2	0.685282	0.163029	4.203446	0.0000
R-squared	0.601881	Mean dependent varp		1.426902
Adjusted R-squared	-0.002783	S. D.dependentp varp		6.778500
Sl. Ep. Of regression	6.787924	Akaike in folp criterion		6.589471
Suml squaredlresid	9860.246	Schwarz criterion		6.651976
Log likelihood	-707.6629	Hanlnanl-Quilnnpcrliter.		6.614723
Durbin-Watsonstatl	1.460049			

Source: Secondary data

The table depicts the Volatility impact of Cash Reserve ratio on Bank Nifty. The coefficient value of CRR is found to be -0.055097, which is observed to be positively influenced on Bank Nifty. Where, p-value is seems to be significant and R-square is strongly fit (0.6018). Hence, concluded that volatility impact of Cash Reserve ratio on Bank Nifty.

H0: ARCH model does not exist between Statutory Liquidity Ratio with Bank Nifty.

H0: ARCH model do exist between Statutory Liquidity Ratio with Bank Nifty.

Heteroskedasticity Test of p SLR vs. Bank Nifty

TABLE 1.15

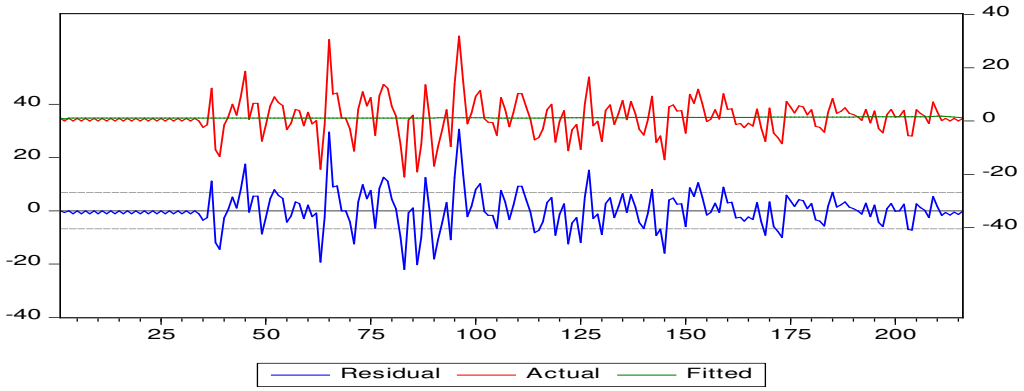
Heteroskedasticityj Test: jARCHj			
pF-statistic	4.314358	Prob. Fl (1, l21l6) l	0.0056
Ob s*Rl-squaredpi	0.316842	Probl. Chi-Square(p1)	0.0035

Source: Secondary data

Heteroskedasticity test illustrated the ARCH model exist between Statutory Liquidity Ratio and the Bank nifty. The result indicates that the f-statistical calculated value is observed to be higher than the critical value (4.314358>3.9201), and the chi-square probability value appears to be statistically significant (i.e., < 0.05) which signifies rejection H0 and accepts H1. Hence it is concluded that ARCH model can be applied to know the volatility effect.

Residual Graph of SLR vs. Bank Nifty

FIGURE 1.4



Source: Secondary data

The above graph depicts the influence of SLR and the volatility of Bank Nifty. As the graph movement in the above figure cross the fitted lines at different level which means the existence of volatility, as the one cluster volatility is followed with respect to the other cluster volatility. Hence it is concluded that ARCH model can be applied for the identification of Statutory Liquidity Ratio on Bank Nifty volatility.

Impact of SLR on the Volatility of Bank Nifty

TABLE 1.16

Dependent Variable: BANK_NIFTY				
Method: ML ARCHj – Normal distribution (BFGS /Marquardt steps) j				
LOG (GARCH) j = C (3) + C(4)*ABS(RESID(-1)/@SQRT(GARCH(-1j))) +j C(j5)				
Variable	Coefficient	Std. Error	z-Statistic	Prob. l
C	3.378673	7.295511	0.463117	0.0433
SLR	-0.090344	0.299297	-0.301854	0.0028
Variance Equation				
C	31.14792	2.083828	14.94745	0.0000
RESID(-1)^2	0.399055	0.101273	3.940402	0.0001
lR- psquardp	-0.201153	pMeanpldependentp varp		1.426902
Adjusted Rp-squaredp	-0.005831	S.D.dependent varp		6.778500
Sl.Ep.oflp regression	6.798234	Akailke info lcriterionpl		6.626069
Sum squared resid	9890.222	Schwarz criterion		6.688574
Log likelihood	-711.6154	Hanlnanl-Quilnncriterl. P		6.651321
Durbiln-Watsonstatl	1.448614			

Source: Secondary data

The table depicts the Volatility impact of SLR on Bank Nifty. The coefficient value of SLR -0.090344, which is observed to be negatively influenced on Bank Nifty, Where, p-value is seems to be significant and R-square is slightly fit (-0.2011). Hence, concluded that volatility impact of SLR on Bank Nifty.

H0: ARCH model does not exist between M3 - Liquidity with Bank Nifty.

H0: ARCH model do exist between M3 - Liquidity with Bank Nifty.

Heteroskedasticity Test of xM3 Liquidity vs. Bank Nifty

TABLE 1.17

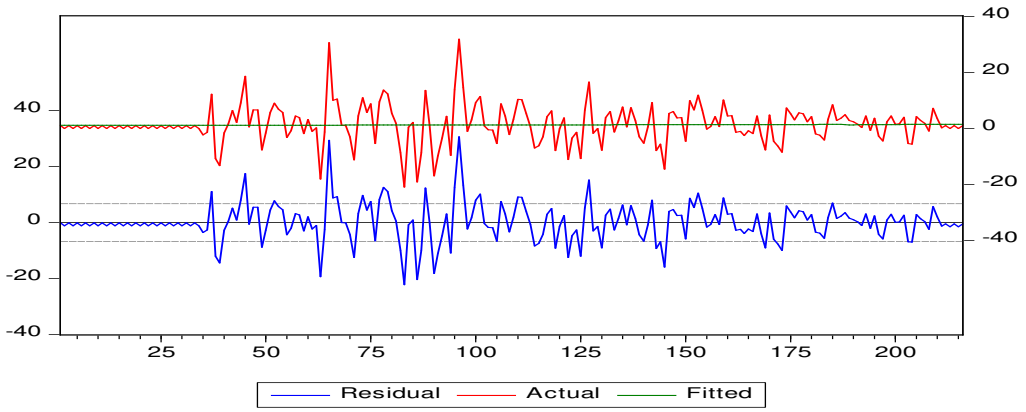
Heteroskedasticityj Test: jARCjHj			
pF-statistic	6.313270	Probl. Fl (1, l21l6) l	0.0063
Obs*Rl-squaredpi	0.315747	Probl. Chi-l Square(p1)	0.0042

Source: Secondary data

Heteroskedasticity test illustrated the ARCH model exist between M3 - Liquidity and the Bank Nifty. The result indicates that the f-statistical calculated value is observed to be higher than the critical value (6.313270>3.9201), and the chi-square probability value appears to be statistically significant (i.e., < 0.05) which signifies rejection H0 and accepts H1. Hence it is concluded that ARCH model can be applied to know the volatility effect.

Residual Graph of xM3 - Liquidity vs. Bank Nifty

FIGURE 1.5



Source: Secondary data

The above graph depicts the influence of M3 - Liquidity and the volatility of Bank Nifty. As the graph movement in the above figure cross the fitted lines at different level which means the existence of volatility, as the one cluster volatility is followed with respect to the other cluster volatility. Hence it is concluded that ARCH mode can be applied for the identification of M3 - Liquidity on Bank Nifty volatility.

Impact of wM3 – Liquidity on the Volatility of Bank Nifty

TABLE 1.18

Dependent Variable: BANK_NIFTY				
Method j:ML ARCHj - Normal distribution (BFGS / Marquardt steps) j				
LOG (GARCH) j = C (3) + C(4)*ABS(RESID(-1)/@ SQRT(GARCH(-1j))) +j C(j5)				
Variable	pCoefficitp	Std. Error	z- Statistic	Prob. l
C	0.110545	0.841568	1.319614	0.0070
M3	0.395605	0.000105	0.171144	0.0041
Variance Equation				
C	31.26820	2.150595	14.53933	0.0000
RESID(-1)^2	0.394522	0.100162	3.938834	0.0001
lR-pmsquaredp	0.200951	Meanpdependentp varp		1.426902
Adjusted Rp-psquaredp	0.005628	S.D. dependent varp		6.778500
Sl. Ep. Of regression	6.797549	Akailke linpfolpcriterionpl		6.626725
Sumlsquaredl lresid	9888.229	pSchwarzp criterion		6.689230
Log likelihood	711.6863	Hanlnanl-Quilnnp criterl. P		6.651977
Durbin-Watsonstatl	1.449742			

Source: Secondary data

The table depicts the Volatility impact of M3 - Liquidity on Bank Nifty. The coefficient value of M3 – Liquidity found to be 0.395605, which is observed to be positively influenced on Bank Nifty, Where, p-value is seems to be significant and R-square is slightly fit (0.200951). Hence, concluded that volatility impact of M3 - Liquidity on Bank Nifty.

FINDINGS

1. The Wald test result showed that M3 is primarily a short-term relationship with selected stocks and equity-bank indices, while repo and reverse repo have a long-term relationship with market indices.
2. The study find that the monetary policy key rates have the Grange cause with Bank Nifty, here monetary policy key rates includes Repo, Reverse Repo rate, Cash Reserve Ratio, Statutory Liquid Ratio.
3. The study estimated that monetary policy key rates had significant ARCH effect with Bank nifty and found that change in Money supply (M3) had shown significant positive influence on the volatility of bank nifty.
4. Repo and Reserve repo rate changes had shown adverse volatility effect on bank nifty which indicates that change in these key rates will have negative effect on the return performance of bank nifty.

SUGGESTIONS

1. The monetary policy key rates having the significant impact on the bank Index. The study recommends to the investors to be cautious for the short term with the changes of all the four key rates through the monetary policy.
2. The study suggests that for the Credit worthiness of the banking sector, a rule-based monetary policy is needed for the uniform interest rates and smooth functioning of the banking sector.
3. Reserve bank of India will announce the monetary policy bi-monthly but sometimes un-time monetary policy will be announced. Investors are advised to be cautious with untimed monetary policy changes.
4. The study observed that the CRR, SLR and M3 are having the mostly positive impact on the market volatility. Hence the study suggests the investor to consider the changes of key rates (CRR, SLR and M3) to take the advantage of higher positive volatility among the banking sector.

CONCLUSION

The study examined the impact of monetary policy on stock market with reference to banking sector. The study has considered the historical time series data from the period of 2000-01 to 2018-19. The study has considered the Bank Nifty as the benchmark for the equity market, from NSE India. The in this study based on the research gap with the help of secondary data by applying the various statistical methods three objectives have been examined.

The study has been focused on the relationship of monetary policy with the equity market bank nifty. The study has considered the historical time series data of monetary policy key rates and bank nifty and framed the monetary policy index. The study applied the statistical method of vector error correction model. The study had designed the monetary policy index with the help of RBI key rates of Repo, Reverse Repo, SLR, M3 and CRR. The wald test result stated that the M3 is having mostly shaving the short term relationship with the equity banking indices, The repo and reverse repo are having the long run relationship with the banking indices and SLR, CRR are having mostly short term relationship with the stocks. Hence the study proved that the monetary policy key rates are having the significant relationship with the equity market bench mark especially banking indices.

The equity market investors' investment decision making depends on many factors. The present study analyzing the impact of monetary policy on the equity markets including the banking index. The statistical result stated that the monetary policy is having the significant positive impact on the growth of the bank nifty index. The study result stated that the monetary policy key rates are having the positive impact on the banking indices. The study has been emphasized on the impact of monetary policy on the select banking sector stocks volatility. The study has considered the time series data and applied the statistical method of ARCH family model. The study result stated that the RBI monetary policy key rates are having the impact on the volatility of Bank nifty. The study observed that on the announcement day of RBI bi-monthly policy bank nifty volatility will be higher than any other index volatility. Therefore, it is evident that the short term equity investors and intraday traders are taking the advantage of the markets fluctuations.

LIMITATIONS

1. The present study has not considered the economic factors impact on the banking sector equity market indices.
2. The study has considered the various statistical tools on the average values of the selected key rates. The study result may be differing with the actual.

FURTHER RESEARCH

1. Present study is confined to banking sector of the equity markets. Hence the study suggests expanding the impact of monetary policy on the various other sectors of NSE India.
2. The study recommends examining the effect of US fed rate change impact on the Indian Equity markets.

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